



Game

# improvement

AMER GROUP  
INTERIM REPORT 3/2000



# INTERIM RESULTS FOR THE PERIOD 1 JANUARY TO 30 SEPTEMBER 2000

Record sales of winter sports equipment in the third quarter boosted Amer Group's net sales and profits in the January - September period. Net sales were up 32% at EUR 818.0 million. Operating profit increased by 80% to EUR 76.7 million and profit before extraordinary items by 105% to EUR 63.9 million. Earnings per share totalled EUR 2.23 (1999: EUR 1.22). The Group's overall performance in 2000 is turning out to be good.

## **Q3 net sales and results**

Strong growth in the Group's net sales and profits continued in the third quarter of the year. Winter sports' deliveries to the trade started, with September being a record month due to a high order book and timing of shipments in the third quarter.

In the Golf Division the peak season was nearly finished by the end of the period under review. There has been a slight growth in industry shipments to the trade in the US golf market. Competition, however, continued to be very intense, especially in golf balls. Wilson Golf is estimated to have maintained its market position, whilst its profitability decreased due to tightening competition.

Quarterly net sales and operating profit breakdowns are presented at the end of this report.

## **9 months net sales and results**

In the January - September period, the Group's net sales and operating profit developed well. Consolidated net sales were up 32% at EUR 818.0 million (1999: EUR 621.6 million). Of this growth, 11% was attributable to exchange rate gains. Profitability improved considerably; profit before extraordinary items increased by 105% to EUR 63.9 million compared to EUR 31.1 million during the corresponding period in 1999.

Wilson's net sales increased by 20% or by 8% in local currency terms. Operating profit grew by 17%. Sales increased in major product categories (Fat Shaft irons, Smart-Core golf balls, Hyper Carbon tennis racquets and DeMarini softball bats), although at a slightly slower rate than in the first two quarters of the year.

Atomic's net sales grew by 38%. Alpine ski sales increased by 45% and binding sales by 65% driven by Atomic's new TriTech ski/binding/boot system and good snow conditions at the end of last season. There was also strong growth in ski boot sales. Operating profit continued to improve significantly.

Suunto's outdoor and sports instruments sales were up by 20%. Its results improved considerably with operating profit more than doubling. The strongest growth figures were again reported by diving instruments and wristop computers.

Amer Tobacco's net sales were similar to last year's level, whilst operating profit decreased slightly.

Teletekno's net sales grew by 9% and operating profit improved slightly.

## **Capital expenditure**

The Group's gross capital expenditure amounted to EUR 38.6 million, of which EUR 23.8 million related to the acquisition of DeMarini Sports Inc.'s business operations.

## **R&D**

A total of EUR 12.8 million was invested in research and development, i.e. 1.6% of period net sales.

## **Finance**

During the third quarter the Group's equity ratio increased from 44.0% as at 30 June to 45.1% as at 30 September 2000, while gearing decreased from 47% to 41%.

During the third quarter the Group's net debt decreased by EUR 15.6 million to EUR 173.5 million at the period end, compared to EUR 151.7 million as at 31 December 1999. Liquid assets amounted to EUR 50.7 million at the period end.

## **Personnel**

Amer Group employed 4,390 people at the end of the period under review compared to 4,223 at the year-end and an average of 4,411 during the period. A total of 2,005 were employed in the US, 722 in Finland, 636 in Austria and 1,027 in the Rest of the World.

## **Shares and shareholders**

A total of 50.6% of the Group's A shares in issue were traded during the period under review; approximately 9.2 million were traded on the Helsinki Exchanges and approximately 3.1 million on the London Stock Exchange, in total 12.3 million shares.

The share price low in Helsinki was EUR 18.10, the high EUR 32.00 and the aver-

age EUR 26.96 and in London GBP 12.25, 19.13 and 16.57, respectively.

There were 11,310 registered shareholders at the end of September. Nominees accounted for 52% of the shares in issue at the period end.

The Company's market capitalisation stood at EUR 626.4 million as at 30 September 2000.

At the end of the period the Board of Directors had no share issue authorisation outstanding.

By the end of the period under review, the authorisations given to the Board of Directors at the AGM in March to purchase and dispose of the Company's shares had not been exercised.

After the period end, the Board of Directors decided at its meeting on 2 November to start to repurchase the Company's own shares. The maximum amount of shares that the company may repurchase is 1,216,344. These shares will be used to further optimise the capital structure of the Company, to finance business acquisitions or other arrangements, to be disposed of in other ways, or to be cancelled. Repurchases will commence on 10 November 2000 at the earliest.

## **DIVISIONAL HIGHLIGHTS**

### **Golf**

The Golf Division's net sales increased by 13%. Operating profit decreased slightly due to growing competition.

In local currency terms, Wilson golf club sales increased slightly and golf ball sales remained at the previous year's level.

Wilson continued to gain market share in the US, UK and Canada in its major product categories: Fat Shaft Hyper Carbon irons, Smart-Core and Staff Titanium golf balls.

The global golf equipment market stabilised during the latter part of 1999. Despite increased product shipments to the trade earlier this year, rounds played were flat compared to last year, which indicated that consumer purchases and the golf market would be flat compared to last year in the US. The same trend is forecast to prevail in the global golf equipment market. In the US, growth was strongest in golf balls, in which product category competition is expected to continue to be extremely intense.

During the rest of the year, the Golf Division's net sales are expected to continue to grow at the same rate as in the first three quarters. Operating profit for the year as a whole is forecast to decrease compared to last year.

### **Racquet sports**

The Racquet Division's net sales increased by 19%. Sales increased in all core product categories. The fastest growth was seen in pre-strung racquets with sales up by 22% in local currency terms. Sales of tennis shoes increased by 7%.

Operating profit improved slightly compared to last year.

The total tennis market grew in the US, while in Germany, the biggest European market, demand for tennis equipment declined, as it did in the Japanese market. The Wilson Racquet Sports business grew rapidly in North America, Southern Asia Pacific and Latin America.

Wilson maintained its market share in every major market and strengthened its position as the No. 1 tennis brand. In the US, Wilson continued to be the market leader in tennis racquets; 44% of all tennis racquets sold in the US were Wilson racquets, and Wilson had five out of the ten best selling performance racquets in the pro/specialty trade channel; all of them are Hyper Carbon models.

Shipments of the Rollers 2.6 Overdrive, the first tennis racquet based on the new Rollers Technology, started in June, and the Rollers 3.6 was launched in September for October shipments. Shipments of Rally tennis balls, which are bigger and lighter than conventional balls, started in August.

Wilson players Venus and Serena Williams dominated both the US Open and the Olympic tennis tournaments: Venus Williams won both the women's US Open and the Olympic individual gold medal and Venus and Serena Williams won the Olympic women's doubles gold.

Slight growth is expected to continue in the US tennis market. Demand is expected to decrease slightly in Europe, the biggest market for tennis equipment, and in Japan. Wilson's Hyper Carbon racquets are forecast to increase their market share. During the rest of the year, the Racquet Division's net sales are expected

to grow at approximately the same rate as in the first three quarters. Operating profit for the whole year is expected to increase slightly compared to last year.

### **Team sports**

The Team Sports Division's net sales grew by 35%. Operating profit improved significantly boosted by increased sales of premium products, the acquisition of DeMarini and lower product costs.

Excluding baseball gloves, sales increased in all product categories. In local currency terms baseball sales increased by 6%, American football sales by 11%, basketball sales by 18% and apparel sales by 5%.

The new softball bat B-52 introduced in June will be shipped later this year.

Wilson renewed its licensing agreement with the National Football League (NFL) for an additional six years. Wilson has been the official football of the NFL since 1941. Wilson was also named Official Sponsor of the Official Baseball and Softball Little League World Series.

Sales growth in traditional team sports categories is likely to remain modest. During the rest of the year, strong growth is expected to continue in Wilson's Team Sports Division's net sales, and operating profit is expected to improve significantly compared to last year.

### **Winter sports**

Atomic's businesses continued to develop very positively. Net sales increased by 38% and operating profit improved significantly. September was a record month; shipments were greater than ever due to a high order book and the trade's desire for earlier shipments than last year.

Alpine ski sales grew by 45%, binding sales by 65% and boot sales increased manifold.

In August Atomic acquired the Device trademark and patents for snowboard step-in boots and bindings from K2/Ride.

Construction work to develop the Altemarkt logistics centre started during the period under review.

Atomic's operating profit for the year as a whole is expected to improve significantly compared to last year. The new integrated ski/binding/boot system is expected to increase sales both in Europe and the

United States. Slight growth is also expected in Japan. The integrated system is also expected to increase Atomic's market shares in bindings and boots.

The overall winter sports equipment market is expected to continue to grow. The actual growth rate, however, will depend on snow conditions at the beginning of the 2000/2001 season. The Atomic brand is expected to grow more rapidly than the market in all its core product categories.

### **Outdoor and sports instruments**

Suunto's net sales increased by 20%. This growth rate was slightly slower than in the first two quarters of the year. The most rapid growth was seen in diving instruments and wristop computers.

Its results improved clearly compared to the corresponding period in 1999; operating profit more than doubled. Improvement in profitability was attributable to an increase in both diving instruments and wristop computers sales and margins.

In October Suunto, acting as an industrial investor, decided together with two venture capitalists to invest in a Finnish GPS positioning company, Fastrax Oy. The company's main product is the world's smallest and least power consuming GPS receiver. It has been designed for small portable devices, in which low power consumption and a small size are crucial parameters, such as sports instruments. Suunto's aim is to benefit from Fastrax's GPS technology and to use it in future new product development.

Sales of Suunto's outdoor and sports instruments are forecast to continue to grow but at a slightly slower rate than in the first three quarters. The diving product category, which was unprofitable last year, will be clearly back in the black. Suunto's operating profit is expected to improve significantly compared to last year.

### **Amer Tobacco**

Amer Tobacco's net sales were similar to last year's level. There was a slight decrease in operating profit due to decreased sales and the strong dollar. With the exception of cigars, sales continued to decrease in all the Finnish market product categories, the main reasons being the increased "grey" market and the exceptional Y2K stock purchases made by the trade last December.

During the third quarter Amer Tobacco's strong market position was strengthened:

its market share of major product categories started to grow. Cigarette market share increased to 76%.

The strongest growth was seen in its cigars' market share, which increased to 18% from 4% last year. This was due to the new distribution agreement with Swedish Match, effective as from 1 August. A new cigar, Hofnar Vanilla, was launched in August.

During the rest of the year, Amer Tobacco is expected to strengthen its market position further. Net sales are expected to grow. Operating profit, however, is expected to decrease compared to 1999 due to the appreciation of the US dollar and consumers shifting to lower price point products.

### **Teletekno**

Teletekno's net sales grew by 9% and operating profit improved slightly. Telecommunications and tele construction markets continued to be strong throughout the year. Sales of Teletekno's telecommunications technology products grew by 27%.

The most profitable product groups were again network technology and test and measurement technology.

During the fourth quarter, Teletekno's net sales are likely to grow at the same rate as in the first three quarters. For the year as a whole, operating profit is expected to improve slightly.

### **Other main developments during the first 9 months of 2000**

In January the licensing agreement with Philip Morris Products Inc. was renewed. The agreement, valid at least until year-end 2005, will continue thereafter by mutual agreement.

In January the Group redeemed the remainder of the convertible subordinated bonds of USD 75 million issued in 1993. The amount of the loan outstanding was USD 31.82 million, representing a total of 1,430,877 Amer Group A shares, i.e. 5.9% of the number of shares and voting rights currently in issue.

The decision made in May by The Arbitral Tribunal on the redemption price for the Suunto minority shares gained legal force in August. On 21 August 2000 Amer Group paid to the remainder of Suunto's minority shareholders the redemption price of EUR 11.50 per share

for their shares plus accrued interest of 4.5% as from 21 March 2000.

### **2000 prospects**

In the fourth quarter the Group's businesses will develop in line with last year. For the year as a whole, net sales will grow and profitability will improve clearly compared to 1999.

Helsinki, 2 November 2000

AMER GROUP PLC  
Board of Directors

*All forecasts and estimates mentioned in this report are based on management's current judgement of the economic environment and the actual results may be significantly different.*

***Amer Group's 2000 results will be published on 7 February 2001. The Annual General Meeting will be held on 7 March 2001.***

EUR million	Unaudited	Jan-Sept 2000	Jan-Sept 1999	July-Sept 2000	July-Sept 1999	Jan-Dec 1999	
<b>CONSOLIDATED RESULTS</b>							
NET SALES		818.0	621.6	32	286.3	210.8	36
Depreciation		27.4	21.8		10.1	6.8	
OPERATING PROFIT		76.7	42.7	80	35.5	18.4	93
Net financing expenses		-12.8	-11.6		-4.2	-3.1	
PROFIT BEFORE EXTRAORDINARY ITEMS		63.9	31.1	105	31.3	15.3	105
Extraordinary items		-	-		-	-	
PROFIT BEFORE TAXES		63.9	31.1		31.3	15.3	
Taxes		-9.6	-1.4		-4.6	-0.7	
Minority interest		0.0	0.0		0.0	0.0	
PROFIT		54.3	29.7		26.7	14.6	
Earnings per share, EUR		2.23	1.22		1.09	0.60	
Adjusted average number of shares in issue (million)		24.3	24.3		24.3	24.3	
Adjusted equity per share, EUR		17.25	14.67		17.25	14.67	
ROI, %		17.1	11.9				12.0
ROE, %		17.9	11.1				11.4
Average rates used: EUR 1.00 = USD		0.94	1.07		0.94	1.07	
AVERAGE PERSONNEL		4,411	3,682				3,834
The relative proportion of the estimated tax charge for the full financial year has been charged against the results for the period.							
<b>NET SALES BY DIVISION</b>							
Golf		211.5	186.8	13	52.8	47.0	12
Racquet Sports		213.3	179.2	19	70.2	58.8	19
Team Sports		145.3	107.3	35	41.7	32.9	27
Wilson, total		570.1	473.3	20	164.7	138.7	19
Atomic		108.3	78.5	38	74.3	47.4	57
Suunto		50.0	-		14.8	-	
Amer Tobacco		69.3	69.8	-1	26.3	24.7	6
Teletekno		20.3	-		6.2	-	
Net sales, total		818.0	621.6	32	286.3	210.8	36
Gross sales, total		1,237.2	1,041.2	19	441.0	361.3	22
<b>BREAKDOWN OF OPERATING PROFIT</b>							
Wilson		47.4	40.5	17	9.5	8.5	12
Atomic		18.9	0.8		21.8	8.3	163
Suunto		5.1	-		0.6	-	
Amer Tobacco		6.9	7.2	-4	2.3	2.3	
Teletekno		1.3	-		0.3	-	
Headquarters		-2.9	-5.8		1.0	-0.7	
Total		76.7	42.7	80	35.5	18.4	93
<b>GEOGRAPHIC BREAKDOWN OF NET SALES</b>							
North America		435.2	333.7	30	131.3	97.3	35
Finland		84.3	65.8	28	30.9	23.5	31
Rest of Europe		188.9	139.2	36	81.8	57.0	44
Japan		56.0	44.0	27	21.9	18.7	17
Asia Pacific		24.8	18.6	33	8.4	6.3	33
Other		28.8	20.3	42	12.0	8.0	50
Total		818.0	621.6	32	286.3	210.8	36

EUR million	Unaudited	Jan-Sept 2000	Jan-Sept 1999	Jan-Dec 1999
<b>CONSOLIDATED CASH FLOW STATEMENT</b>				
Net cash from operating activities		62.9	89.9	119.9
Net cash from investing activities		-32.8	-4.4	-70.7
Net cash from financing activities		-51.8	-29.8	-32.5
Net increase/decrease in cash and cash equivalents		-21.7	55.7	16.7
Cash and cash equivalents at 1 Jan		72.4	51.9	53.1
Cash and cash equivalents at 30 September/31 December		50.7	107.6	69.8
<b>CONSOLIDATED BALANCE SHEET</b>				
		30 Sept 2000	30 Sept 1999	31 Dec 1999
<b>Assets</b>				
Group goodwill		234.1	144.0	201.1
Other intangible fixed assets		19.5	20.2	20.4
Tangible fixed assets		152.0	154.9	163.2
Long-term investments		38.2	13.1	33.2
Inventories and work in progress		155.4	109.8	141.7
Receivables		290.7	206.6	245.8
Marketable securities		17.9	56.9	18.3
Cash and cash equivalents		32.8	50.7	51.5
<b>Assets</b>		<b>940.6</b>	<b>756.2</b>	<b>875.2</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity		419.6	357.0	374.2
Minority interest		4.5	10.0	10.1
Provision for contingent losses		3.1	2.6	4.1
Long-term interest-bearing liabilities		135.0	145.1	119.6
Other long-term liabilities		35.8	4.7	34.6
Short-term interest-bearing liabilities		89.2	37.8	101.9
Other short-term liabilities		253.4	199.0	230.7
<b>Shareholders' equity and liabilities</b>		<b>940.6</b>	<b>756.2</b>	<b>875.2</b>
Equity ratio		45.1%	48.5%	43.9%
Gearing		41%	21%	39%
EUR 1.00 = USD		0.88	1.07	1.00

	Share capital	Premium fund	Revaluation fund	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY</b>					
Balance at 31 Dec 1998	82.7	183.7	3.0	68.7	338.1
Dividend				-4.1	-4.1
Translation differences				1.0	1.0
Other differences				-7.7	-7.7
Net profit				29.7	29.7
Balance at 30 Sept 1999	82.7	183.7	3.0	87.6	357.0
Balance at 31 Dec 1999	82.7	183.7	2.9	104.9	374.2
Dividend				-14.3	-14.3
Translation differences				5.4	5.4
Other increase/decrease	14.6	-14.6		0.0	0.0
Net profit				54.3	54.3
Balance at 30 Sept 2000	97.3	169.1	2.9	150.3	419.6

**CONTINGENT LIABILITIES AND SECURED ASSETS,  
CONSOLIDATED**

	30 Sept 2000	30 Sept 1999	31 Dec 1999
Charges on assets	16.8	18.6	22.1
Mortgages pledged	19.3	21.2	39.0
Guarantees	1.4	2.7	2.6
Liabilities for leasing and rental agreements	53.5	40.6	42.9
Other liabilities	48.4	20.8	46.0

There are no guarantees or contingencies given for the management of the company, the shareholders or the associated companies.

**NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS**

	30 Sept 2000	30 Sept 1999	31 Dec 1999
Foreign exchange forward contracts	355.3	301.3	330.7
Forward rate agreements	-	140.6	100.0

QUARTERLY BREAKDOWNS

EUR million								
	III	II	I	IV	III	II	I	IV
	2000	2000	2000	1999	1999	1999	1999	1998
NET SALES								
Golf	52.8	89.3	69.4	38.1	47.0	81.8	58.0	35.5
Racquet Sports	70.2	71.5	71.6	45.9	58.8	64.8	55.6	41.6
Team Sports	41.7	44.4	59.2	35.8	32.9	32.1	42.3	30.6
Wilson total	164.7	205.2	200.2	119.8	138.7	178.7	155.9	107.7
Atomic	74.3	9.4	24.6	60.6	47.4	12.0	19.1	46.7
Suunto	14.8	18.9	16.3	-	-	-	-	-
Amer Tobacco	26.3	24.4	18.6	23.7	24.7	24.5	20.6	22.3
Teletekno	6.2	7.5	6.6	-	-	-	-	-
Total	286.3	265.4	266.3	204.1	210.8	215.2	195.6	176.7

EUR million								
	III	II	I	IV	III	II	I	IV
	2000	2000	2000	1999	1999	1999	1999	1998
OPERATING PROFIT								
Wilson	9.5	24.8	13.1	1.9	8.5	22.8	9.2	0.3
Atomic	21.8	-3.4	0.5	14.3	8.3	-3.7	-3.8	4.6
Suunto	0.6	3.2	1.3	-	-	-	-	-
Amer Tobacco	2.3	3.5	1.1	2.4	2.3	3.1	1.8	1.8
Teletekno	0.3	0.7	0.3	-	-	-	-	-
Headquarters	1.0	-1.8	-2.1	-2.8	-0.7	-2.7	-2.4	-0.3
Total	35.5	27.0	14.2	15.8	18.4	19.5	4.8	6.4



**AMER GROUP PLC**

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